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C O N F I D E N T I A L BRATISLAVA 000407

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SUBJECT: ROBERT FICO'S VIEWS ON ELECTIONS AND ECONOMIC

REFORMS

REF: FEBRUARY 17 WELLS-MCKNIGHT-THAYER E-MAIL

Classified By: Amb. Ronald Weiser for reasons 1.4 b and d

1. (C) Summary. The Ambassador met privately with Robert Fico on April 19 to discuss several topics including Ivan Gasparovic's win over Vladimir Meciar in the presidential elections on April 16. Fico made it clear that Smer would not accept any MP defectors from Meciar's Movement for a Democratic Slovakia (HZDS), suggesting that they join other parties. Fico also spoke positively about some of the economic reforms the current GOS has implemented and offered some modifications he would make as PM. Fico is starting to use less rhetoric and express more policy ideas for a future coalition that he might lead, and showed interest in good relations with the U.S. End Summary.

Fico's Thoughts About the Elections

2. (C) Fico told the Ambassador over lunch at the CMR that Gasparovic's win over Meciar further highlighted how much Meciar's support has eroded over time. Fico indicated that Smer would not accept any MP defectors from HZDS, adding that he would encourage them to join other parties, including Gasparovic's Movement for Democracy (HZD). (Note: Given that HZD is not represented in parliament, any MPS who want to leave HZDS might look to join Vojtech Tkac's People's Union (LU) that broke away from HZDS after the 2002 parliamentary elections as an interim measure.) Pointing out that HZD still garners 3-4 percent popular support without a party in parliament, Fico views HZD as a future coalition partner for Smer.

Now Focused on 2006 Parliamentary Elections

3. (C) With the failure of the referendum on early elections, Fico stated that he is now focused on winning the next parliamentary elections, currently scheduled for 2006, and becoming prime minister. He told the Ambassador that there is no will within parliament to call for early elections because the 90 deputies needed to disband parliament are not willing to give up the benefits and pay they currently receive. Recent opinion polls show that Fico's Smer would be the big winner while most other parties in parliament would likely lose seats if the elections were held now.

Economic Policies and Reform

4. (C) Fico spoke at considerable length about his views on the strategy of implementing economic reform and future policies he would support. He opined that when a government initiates a reform plan, it should work more closely with the opposition because these are long-term measures that will likely take longer to implement than the term of the ruling government and should remain after the government changes. He strongly supports the incentives that the GOS has put into place to encourage foreign investment, but added that the government should offer incentives to Slovak companies for creating jobs at home, which he supported during the 2002 campaign. A Smer-led government would leave the corporate tax rate and labor law alone, while making some changes to personal tax rates and the VAT. Fico supports increasing the VAT on certain items, but lowering it on essentials such as gasoline, foodstuffs, books, and transportation like many other EU countries.

5. (C) Fico suggested that Finance Minister Ivan Miklos's goal of keeping the budget deficit below 3.9 percent of GDP to help put Slovakia on an early course to join the Euro zone is misguided. Fico thought that a higher deficit brought about by increasing spending on infrastructure and education may be worth delaying Slovakia's entrance into the Euro zone. He suggested that if the GOS does not spend more money on completing major highway projects, such as the north-south and east-west highways, and on education, Slovakia might not be competitive against countries like Ukraine, Bulgaria, and Romania in the future. Fico expressed his concern that as these countries become more attractive to foreign investors as they become more stable, and with them having lower wages,

Slovakia might become less competitive. He added that the European Bank for Reconstruction and Development was willing to loan money for these types of projects, but Miklos was unwilling to borrow.

16. (C) Fico told the Ambassador that Russian and French companies were interested in supplying two reactors at the Mohovce nuclear facility. Mohovce has two completed reactors and two more buildings completed which do not yet have equipment installed. He said that a Russian company (probably RAO) was willing to finance the project because it would generate significant revenue as Europe's electricity needs continue to grow.

17. (C) Fico indicated that he intended to visit Libya in late May now that he has received U.S. assurances that we have no objection to such a trip (ref). He would very much like to visit Washington between May 15 and 24 for one or two days before he goes to Libya (septel).

Comment

18. (C) In this conversation with the Ambassador, Fico started to express positive program ideas for a future coalition that he envisions heading, rather than simply pointing out the faults of Prime Minister Dzurinda's government. Fico's remarks on economic reform suggest that he has accepted the major reforms that Miklos has implemented and that his proposals are only tinkering on the margins. The GOS does offer incentives to Slovak businesses that create local jobs, but, to date, these companies have not had the capital to invest that foreign companies bring. Fico's ideas on improving infrastructure and education likely will bolster his support. He used less rhetoric than in past meetings and clearly showed he is interested in maintaining a good relationship with the U.S.

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